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Subject: Federal Economic Stimulus Funding for Highways

To: Iowa Metropolitan Planning Organizations
and Regional Planning Affiliations

Date: January 14, 2009

From: E. Jon Ranney, Director
Office of Program Management

Subject: Federal Economic Stimulus Funding for Highways

Congress and President-Elect Obama are considering a substantial economic stimulus package which includes investments in transportation. Iowa Department of Transportation (Iowa DOT) staff met with staff from the Iowa Division of the Federal Highway Administration (FHWA) last Friday and it became apparent that action needs to begin immediately to prepare for the federal highway stimulus funding. While there are many details of this package that have not yet been determined we would like to provide you with information that will answer some of your initial questions and set a path for delivery of these projects once legislation is passed.

The amount of estimated federal economic stimulus funds to the state of Iowa for highway transportation is approximately \$360 million. Currently, approximately two-thirds of highway federal aid is distributed to the Iowa DOT while the other one-third is distributed to cities, counties and other local agencies through various processes and programs. We do not know what distribution requirements will be included in the stimulus bill; however, if the bill permits we intend to utilize the same proportions to distribute the federal highway stimulus funding resulting in an estimated \$120 million to be allocated to local governments. We intend to allocate this funding to Iowa's Metropolitan Planning Organizations (MPOs) and Regional Planning Affiliations (RPAs) using the current FFY 2009 STP target calculations. Attached is a table listing the estimated amount of federal economic stimulus highway funds to be distributed to each RPA and MPO.

Recent information indicates that the stimulus funding will not require local match. However, it also appears that it is possible the bill will require that 50 percent of the funds will need to be

under construction contract within 90 days of passage and the remainder by 180 days. Assuming the bill is signed on February 16, this means that half the funds will need to be under contract by May 18 and the remaining funds under contract by August 17. These will likely be statewide requirements and we would expect each individual RPA and MPO work to meet the initial 90 day requirement. It will also be important to identify projects that can be under contract no later than August 17 to meet the 180 day requirement. We have been informed that any funds not under contract within the timelines will be lost to the state of Iowa and be redistributed to other states. Given the short turnaround and the potential of losing federal funds it is critical that we all move quickly to identify realistic "ready-to-go" projects and begin the process of preparing them for contract letting. Indications are that all federal-aid requirements must be met for projects to be eligible.

The first step in this process will be the identification of projects. We will provide you a list of state projects that may be funded with the state's share of federal highway stimulus funds by the end of this week. Iowa DOT projects in RPA areas will be amended into the Statewide Transportation Improvement Program (STIP) using our STIP amendment process. RPA Transportation Improvement Program (TIP) amendments are not required for Iowa DOT projects. However, Iowa DOT projects in MPO areas will need to be amended into the MPO TIP. We ask that you begin this amendment process immediately.

In addition, each RPA and MPO will need to identify projects in their area that are ready to go and within the funding constraints of the targets provided. Each RPA and MPO will coordinate the development of this list with their member governments. We ask that each RPA and MPO submit a draft list of local projects to the Iowa DOT Office of Program Management by January 22nd. This list should include a description of the project, estimated cost and anticipated letting date. The purpose of this list is to permit a review of potential projects for eligibility and to identify the ability of local governments to utilize all of the local highway stimulus funding. Once we have concurred with the list and you have finalized it, you need to immediately proceed with the public review process necessary for amending projects in your TIP. A critical point is that your TIP amendments cannot be approved by your policy board until after the stimulus bill is signed into law. If they are approved by your policy board prior to the signing of the stimulus bill those projects will NOT be eligible for stimulus funding. We encourage you to prepare for a special policy board meeting to be held as soon as the bill is signed so that the TIP amendments can be approved. Once the bill has been passed and policy board approval takes place the amendments will be forwarded to FHWA for approval in the STIP.

Another anticipated condition of the stimulus package is that projects funded represent an additional infrastructure investment, over and above what is currently planned for this fiscal year. Therefore, projects that are currently programmed for fiscal year 2009 will probably not qualify for funding. However, projects currently programmed for later years may be advanced in order to take advantage of the stimulus funding.

Any project for federal highway funding as defined in U.S.C. Title 23 will probably be eligible for this federal highway stimulus funding. In addition to traditional highway projects, this funding may also be used for projects involving transit and transportation enhancement activities. At this time, the stimulus bill is expected to include separate funding for transit but not for transportation enhancement activities. Iowa DOT intends to allocate a portion of its stimulus funding for trail

projects. A separate e-mail will be sent soliciting trail projects of statewide significance. We will provide you additional information regarding the transit allocation of stimulus funding as soon as it becomes available.

In order to meet the short timeframes outlined above, the most realistic "ready-to-go" projects are those that have either already completed or soon will complete all of the applicable federal-aid project development steps. This includes, but is not limited to: substantial completion of project design, right-of-way acquisition, completion of the National Environmental Policy Act (NEPA) process, and any other federal or state permits that may be required. Projects that have not yet completed all of these steps may be able to use stimulus funds, but such projects would need to have little or no environmental impacts, no right-of-way required, and the ability to prepare or finish plans quickly. Resurfacing, restoration, and rehabilitation (3R) projects appear to be the most likely candidates to meet the criteria.

Assuming the legislation passes in mid-February, to meet the 90 day requirement, local agency project plans would need to be turned into the Iowa DOT by the last week in January; to meet the 180 day requirement, project plans would need to be turned in by the last week in April.

Finally, we have included a listing of Questions and Answers from state DOTs to FHWA that should help explain the proposed processes and requirements. Once again, there are still many details of this package that have not been determined so we will continue to keep you informed as we receive further guidance on this package. We understand time constraints are extremely compressed and ask for your diligence as we all work through this challenging period.

If you have any questions or require additional information, please contact me or Shawn Majors at (515) 239-1288.

EJR/SMM/(EconomicStimulus)

Enclosures

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